

GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

Housing Department – A.P. RAJIV SWAGRUHA CORPORATION LTD. – Financial issues – Delegation of certain powers to the Managing Director in pricing and Sanction of soft loan of Rs.246 Crores for payment of contractors dues- Orders - Issued.

HOUSING (HB.I) DEPARTMENT

G.O.Ms.No.24

Dated:29-11-2013.

Read the following:-

1. Letter from the Managing Director APRSCL dt. 19.10.2012.
2. G.O.Rt.No. 442, G.A. (Cabinet) Department dt. 30.1.2013.
3. G.O.Ms.No.11, Housing (HB.I) Department, Dt. 22.6.2013.
4. Govt. Lr.No.1720/HB.1/2013, , dt.08.07.2013.
5. G.O.Ms.No.13, Housing (HB.I) Department, Dt.12.07.2013
6. Govt. Lr.No.3410/HB.I/2013, dt. 3.10.2013.
7. From the Managing Director, APRSCL, Lr.No.Swapping/EO/ aprscl/2013, dt. 09.10.2013.

ORDER:

The Managing Director, APRSCL vide reference 1st read above, submitted a report to the Government stating that the Corporation had landed into serious financial crisis due to adverse operational decisions made earlier viz. (i) grounding of projects with large number of units, without a confirmed demand (ii) failure to dispose the units under construction (iii) large dues in pending bills to contractors (iv) indiscriminate borrowings from the Banks in spite of Government's ban, (v) Bank loans turning NPAs (vi) commencement of projects without required approvals, (vii) registrations/ auctions without proper title over land and layout approvals (viii) Diversion of funds from the demand oriented projects and inability to complete them, etc. (ix) loss of credibility of the Corporation indirectly reflecting on the image of Government etc. Corporation based on the available data in the books of accounts and annual reports, the Managing Director, A.P.R.S.C.L. proposed certain remedial measures to overcome the financial crisis without resulting any loss and sought certain procedural reliefs, exemptions and financial assistance from the Government.

2. Consequent on the report of the Managing Director, A.P.Rajiv Swagruha Corporation Ltd., Government constituted a Group of Ministers to find a solution to the crisis went through the various reports placed before it and suggested various remedial measures. Based on their recommendations, the Government vide reference 3rd read above, approved a bailout package and issued orders on various issues, which includes

(i) Deferred payments for lands cost, layout permissions, land conversion charges, etc., payable to Govt., agencies/departments (ii) Rs.105.00 crores soft loan for completion and sale of Category-I & II projects (iii) Disposal of 8 category-III unviable projects (iv) Disposal of lands owned by the Corporation (v) Swapping of units for willing contractors' dues (vi) Guidelines for resolution of issues with allottees/contractors/lending banks etc.

3. The Managing Director, APRSCL further reported that the Corporation commenced implementation of the bailout package in August 2013 and the 11 Category-I projects are progressing to the satisfaction of the applicants. However, after addressing the concerns of the contractors, including price escalation as provided in G.O. Ms.No.35, TR&B Dept. Dt.30.1.2009 and loading bank loan interest and overheads on pro-rata basis, the book values of units increased substantially. The contractors are not willing to swap their dues at the prices based on the present book values and are demanding payment of their dues in cash at the earliest.

4. The Managing Director, APRSCL also reported that the poor sentiment in real estate market, particularly in twin cities and huge unsold stock in Category-II projects, with high book values resulted in further difficulties. The Government was apprised of the various impediments in implementation of G.O.Ms.No.11 package, viz. (i) pendency of land alienation/ mutation orders for the A.P.R.S.C.L project/ own lands which were cleared by the State Level Empowered Committee and the need for directions to authorities of Revenue Dept. to issue such orders pending APLMA approval (ii) Non-receipt of layout/ land conversion permissions, which are interlinked with land title (iii) OTS commitment with Banks (iv) abandoned projects/ units shown as "work in progress" to conceal the losses to the audit as well as in its books of accounts (v) Huge costs are incurred in some unfinished housing units in providing "development costs" for the entire layout (vi) large unsold stock in category-II projects with book values higher than the present market values (vii) Low market values arrived by 'Valuers' of Category-III projects compared to their book values (viii) Rs.336.87 crores interest paid on loans without earning any profits indicate the losses incurred during the last six years (ix) need to deduct the additional costs incurred towards price escalation, interest and overheads to bring the unit's prices to the level of the prevailing market and to fix the cost of units as per market conditions to dispose-off them in short time to meet various debts/ commitments, etc., and requested the Government to issue suitable further orders to solve the above issues and also sanction interest free soft loan towards payment of dues to the contractors in Chandanagar, Bandlaguda and Pocharam projects to make them immediately marketable.

5. In the reference 7th read above, the Managing Director had stated that the earlier report placed before the Group of Ministers was based on the belief that the 'books of accounts' reflected a true and fair picture of the Corporation's affairs. However, some facts which were concealed earlier had come to light now. Sunken costs in abandoned projects and infrastructure expenditure in curtailed projects covering even semi-finished units, were shown to be works in progress, etc avoiding booking of huge losses, in the respective years. Further addition of cost escalation due to delayed construction, interest charges and overheads found to have inflated the book values, revealing further losses. Auditors are in the process of ascertaining the extent of these losses and compliance with statutory dues.

6. The Government after careful consideration of the proposals of the M.D., APRSCL accepted that certain further measures are required to effectively implement the exit strategy and decided to authorize the Managing Director, A.P. Rajiv Swagruha Corporation Limited to fix the cost of any asset/unit/project basing on the valuation reports, market surveys and field reports, and the value shall be such that which would result in its disposal in the market in a transparent way and to revise the same from time to time basing on the fluctuations in the market irrespective of book values. Accordingly, the Managing Director, APRSCL is hereby authorized to take all necessary steps to dispose-off the properties of the Corporation as may be necessary expeditiously by taking recourse to the above authorization.

7. Further, Government after careful consideration of the request of the Managing Director for urgent financial intervention by the Government, hereby accords sanction of a soft loan amounting to Rs.246.00 crores (Rupees two hundred and forty six crores only) with 10% simple interest p.a. repayable by 31.3.2014 on the same terms and conditions as the previous loan of Rs. 105 crores sanctioned in the G.O.5th read above. The Managing Director, APRSCL shall ensure that the loan is properly utilized and promptly repaid to Government account.

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8. The Finance Department may issue necessary B.R.O. for disbursing the loan amount immediately.

9. The above orders are issued with the concurrence of Finance Dept vide U.O.Note No.1319/100/Expn.Hsg/13 dt. 20.11.2013).

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

Dr.P.K.MOHANTY,
CHIEF SECRETARY TO GOVERNMENT

To
The Managing Director, A.P.Rajiv Swagruha Corporation Limited, Hyderabad.
The Finance (Expn.Hsg) Dept.
Copy to Revenue Dept.
Copy to Spl. Secretary to C.M.
Copy to O.S.D. to M Housing.

// FORWARDED :: BY ORDER//

SECTION OFFICER